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FISCAL IMPACT STATEMENT

LS 6144 | **NOTE PREPARED:** Dec 10, 2003
BILL NUMBER: SB 153 | **BILL AMENDED:**

SUBJECT: Firefighting Equipment and Grants.

FIRST AUTHOR: Sen. Craycraft | **BILL STATUS:** As Introduced
FIRST SPONSOR:

FUNDS AFFECTED: **X** **GENERAL** | **IMPACT:** State & Local
X **DEDICATED**
FEDERAL

Summary of Legislation: This bill changes the Firefighting and Emergency Equipment Revolving Loan Fund (loan fund) into a grant fund administered by the Office of the State Fire Marshal. The bill repeals the Fire Safety Equipment Revolving Loan Account (loan account) in the Build Indiana Fund. It releases the obligation of a loan recipient under the loan fund or the loan account to pay the remaining balance due on the loan. This bill also transfers funds remaining in the loan fund to the grant fund. The bill also transfers $500,000 per month to the grant fund from the Build Indiana Fund. It also provides that a fire protection territory may establish a cumulative building and equipment fund.

Effective Date: July 1, 2004.

Explanation of State Expenditures: Under the bill, the Firefighting and Emergency Equipment Revolving Loan Fund (FEERLF) would be replaced with a grant program. Monthly transfers of $500,000 from the Build Indiana Fund (BIF) and the balance remaining in FEERLF would endow the grant program. As of September 30, 2003, the fund balance in FEERLF was $1,047,800.

The monthly transfer from BIF would be completed after sufficient funds have been transferred under current statute to fund Motor Vehicle Excise Tax Replacement (MVETRA). In addition, the bill requires the monthly transfer to be made to the FEER Grant Fund from the state General Fund if insufficient money is available in BIF to make the distribution to the Grant Fund. (This is required with respect to the MVETRA transfer under current statute.) The remainder in BIF after the MVETRA transfer is expected to be sufficient to fund the $6 M annual transfer to the FEER Grant Fund. Beginning in FY 2005, BIF is projected to have about $13.8 M annually after the MVETRA transfer is completed. Thus, the FEER Grant Fund transfer would reduce the total amount available in BIF for state and local capital projects to about $7.8 M per year.

The proposed grant program would be subject to the same qualifications as the current loan program and an entity would not receive more than $200,000 within a four-year period. Assuming that only the funds from the BIF are used to make grants and that each grant is for the maximum $200,000, 30 grants would be available each year.

Background on the Build Indiana Fund (BIF): Resources Available to BIF - The Build Indiana Fund (BIF) receives funds from two sources: (1) surplus Lottery revenue and (2) revenues from gaming taxes and pari-mutuel taxes. Under current statute, surplus Lottery revenue in the Lottery Commission's Administrative Trust Fund is first transferred to the Teachers' Retirement Fund (TRF) and the Pension Relief Fund (PRF). Once these transfers are made, the remaining surplus Lottery revenue is distributed to BIF.

Current statute also requires distribution of revenue from the Riverboat Wagering Tax, the Pari-mutuel Wagering Tax, the Pari-mutuel Satellite Facility Tax, the Charity Gaming Excise Tax, and the Charity Gaming License Fee to BIF. Beginning in FY 2003, the total annual distribution to BIF from Lottery, gaming, and pari-mutuel sources is effectively capped at $250 M. This is because current statute limits the annual distribution of Riverboat Wagering Tax revenue at an amount equal to $250 M minus the sum of the surplus Lottery revenue and revenue from other gaming and pari-mutuel taxes distributed to BIF during that fiscal year. The required amount of Riverboat Wagering Tax is transferred to BIF from the Property Tax Replacement Fund (PTRF) at the end of the fiscal year.

Distributions from BIF - Under current statute, $236.2 M annually must be transferred from BIF to the Motor Vehicle Excise Tax Replacement Account (MVETRA) within the state General Fund. Money remaining in BIF after the MVETRA transfer is available for state and local capital projects. However, the 2001-2003 Biennial Budget (P.L. 291-2001) required a transfer of $175 M in FY 2003 from BIF to the Property Tax Replacement Fund (PTRF). This transfer was made by the State Budget Agency on August 13, 2002. Consequently, the remaining resources in BIF during FY 2003 funded only $100.4 M of the MVETRA transfer required to total $236.2 M. To cover the shortfall, additional transfers to BIF totaling $134.9 M were made during FY 2003. This left a deficit of approximately $900,000 in BIF at the end of FY 2003. As a result, it is estimated that $12.9 M will be available for state and local capital projects in FY 2004; and $13.8 M in FY 2005. The table below contains actual and projected BIF revenue and spending totals for FY 2003 to FY 2005.

Surplus Lottery and Gaming Revenue & Distributions (Millions)*

Revenues & Distributions	FY 2003 (Actual)	FY 2004 (Projected)	FY 2005 (Projected)
Beginning Balance in BIF	$24.5	($0.9)	$0.0
Surplus Lottery Revenue in Adm. Trust Fund	$168.7	$165.0	$165.0
TRF Transfer	($30.0)	($30.0)	($30.0)
PRF Transfer	($30.0)	($30.0)	($30.0)
Surplus Lottery Revenue to BIF	$108.7	$105.0	$105.0
Surplus Gaming Revenue to BIF	$141.3	$145.0	$145.0
Interest	$0.9	$0.0	$0.0
Transfers to BIF**	$134.9	$0.0	$0.0
Total Resources in BIF	$410.3	$249.1	$250.0
MVETRA Transfer	($236.2)	($236.2)	($236.2)
PTRF Transfer^	($175.0)	$0.0	$0.0
FEER Grant Fund Transfer	**$0.0**	**$0.0**	**($6.0)**
Total Transfers	($411.2)	($236.2)	($242.2)
Amount Available for State & Local Capital Projects*^	$0.0	$12.9	$7.8
Amount Allotted to State & Local Capital Projects*^	$0.0		

*Updated 10/6/03.
**Transfers into BIF totaling $131.8 M from the state General Fund for Motor Vehicle Excise Tax Replacement; $3.0 M from the State Fair; and $100,000 from loan repayments.
^Transfer required under 2001-03 Biennial Budget (P.L. 291-2001).
*^Actual totals in FY 2003.

Explanation of State Revenues: Under current law, recipients of FEERLF loans repay the loan and interest on the loan at a rate determined by the Board of Finance, but not less than 2% below the prime interest rate. The revenues from loan principle and interest repaid are deposited in FEERLF and are available for reallocation. The balance of loans outstanding as of September 30, 2003, was $532,040, and loans pending totaled $196,000. Under the bill, these obligations would be released. Assuming that the prime interest rate is 5% and that the Board of Finance set the interest rate on FEERLF loans at 3%, the state would forego $21,841 of simple interest from loans outstanding and loans pending, in addition to the principle due.

Under the bill, any obligation released (including both principle and interest) would reduce the amount for which a grant recipient would qualify.

Explanation of Local Expenditures: Under current law, a volunteer fire department may charge for services in certain circumstances and may use the proceeds of the payment to repay the principle and interest on a FEERLF loan. Under the bill, these funds used to repay loans would be available for other purposes allowed in statute including deposit in the township firefighting fund or the purchase of equipment, buildings, or property for firefighting services.

Explanation of Local Revenues: Under the bill, a fire protection territory may establish a cumulative building and equipment fund (CBEF) with the approval of the legislative body of all units participating in the fire protection territory. (A fire protection territory is comprised of at least two contiguous taxing units where one unit provides fire protection to the other unit(s).) The tax rate limit for a CBEF is $0.0333 per $100 of assessed valuation.

Six fire protection territories exist in Indiana with an assessed property value of $2.8 B in 2002. Assuming that all six territories were to adopt the tax rate limit, revenues would amount to $954,664.

State Agencies Affected: Office of the State Fire Marshal, State Budget Agency.

Local Agencies Affected: FEERLF loan recipients: Moral Township, Shawawick Volunteer Fire Department (VFD), Dublin VFD, Bentonville VFD, Wayne Township, Lafayette Township Fire Department (FD), Liberty VFD, City of Alexandria, Centre Township, German Township VFD, Lincoln Township, Noble Township, Scipio Township, Brooklyn VFD, Greenville Township, Curry Township Trustee, Boone Civil Township, and Hanna Civil Township.

Fire Protection Territories: Southwest Franklin County Fire Protection Territory (FPT), Brownsberg FPT, Jac- Cen-Del FPT, Carr Township FPT, Clay Fire Township FPT, and Curry Fire Township FPT.

Information Sources: Bob Lain, State Budget Agency, (317) 232-3471; David Dukes, State Budget Agency, (317) 232-2924; Mara Snyder, Office of the State Fire Marshal, (317) 233-5341; Local Government Database.

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